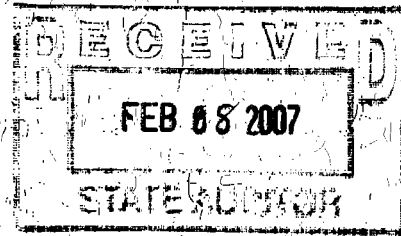


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Date

2-15-07



**West Point City**

**June 30, 2006**

**Financial Statements**

**(With Auditors' Report)**

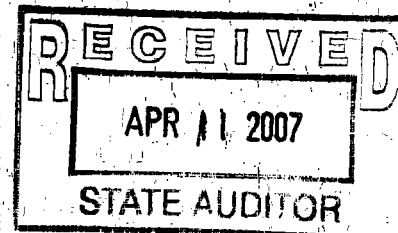
**LITZ &  
COMPANY**

*Certified Public Accountants  
A Professional Corporation*

## WEST POINT CITY

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**Independent Auditors' Report****Honorable Mayor and City Council  
West Point City, Utah**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Point City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of West Point City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and statistical section are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise West Point City's basic financial statements. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements of West Point City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Litz & Company, P.C.*  
December 8, 2006

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006**

As management of West Point City, we offer the readers of West Point City's financial statements this narrative overview and analysis of the financial activities of West Point City for the year ended June 30, 2006

**FINANCIAL HIGHLIGHTS**

- The assets of West Point City exceeded its liabilities as of the close of the most recent year by \$8,618,917 (net assets). Of this amount, 2,683,736 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by 9.1% (7,900,761 to 8,646,283). The revenues met or exceeds the adopted budgeted amounts, and expenditures were less the adopted budgeted amounts.
- At the close of the current year, West Point City's governmental funds reported combined ending fund balances of \$2,171,460, a decrease of \$464,890 in comparison with the prior year. Approximately 5.85 percent of this total amount, \$126,927, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the general fund was \$126,927, or 6.78 percent of total general fund expenditures.
- West Point City's total debt decreased by \$50,000 during the current year.
- Business-type activities total assets increased by \$777,705 during the current year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements that include three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information that will help the reader gain a more in depth understanding of the City's financial condition.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets (SNA), and 2) the Statement of Activities (SA). These two statements provide a broad overview of the City's finances.

The SNA reports the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial position as improving or declining.

The SA helps identify functions of the City that are primarily supported by taxes and other general governmental activity revenue in conjunction with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The SA shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place. One example is the next debt interest payment when the fiscal year ends in between interest payments. The Statement of Activities shows an additional interest expense for the time period between the last interest payment and the end of the fiscal year.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (Governmental Activities) and those whose operations are entirely or largely financed by user charges and fees (Business-Type Activities). The Governmental Activities for the City include general governmental (legislative and executive activities and non-departmental); public safety (Police and Fire), public works/streets and parks/recreation (Public Services). The business-type activities include water, sewer, storm-water, and refuse collection. The government-wide financial statements include not only West Point City itself (the primary government), but also the legally

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006 - continued**

separate Redevelopment Agency of West Point City. This entity (a component unit) is financially accountable to the City and is presented separately from the primary government itself; but for all practical purposes function as a part of the City and are therefore blended as an integral part of the primary government. The RDA had no activity for 2006.

The City Business-Type Activities include operating water, sewer, garbage and storm drain services.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required to exist by law, while other funds are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

**Governmental Funds** – Most of the City's basic services are accounted for in governmental funds. These fund types are essentially the same functions reported as governmental activities in the government-wide financial statements.

**Proprietary Funds** – The City maintains one type of proprietary fund—an Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City enterprise fund reports all activity related to providing water, sewer, garbage, and storm water services.

**Internal Service funds** – These funds are used as an accounting device to accumulate and allocate costs internally among the City's various functions. At fiscal year ended June 30, 2004, the City dissolved its only internal service fund that accounted for its fleet activities—Motor Pool Fund. All fund assets are now reported in the fund that is the predominate beneficiary—the General or Enterprise Fund.

**Differences between Government-Wide and Fund Statements**

Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements. Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements. Those revenues are deferred on the governmental fund statements.

**Notes to the Financial Statements**

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements and the City's financial position. The notes apply to both government-wide financial statements and the fund financial statements.

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006 – continued**

**WEST POINT CITY**  
**Multi-Year Comparative Summary of Net Assets**

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	2,632,608	2,694,542	853,873	1,028,669	3,486,481	3,723,211
Capital assets	3,711,170	3,102,223	3,472,936	2,520,435	7,211,472	5,622,658
Total Assets	6,343,778	5,796,765	4,326,809	3,549,104	10,697,953	9,345,869
Long-term liabilities						
outstanding	1,260,000	1,320,000	-	-	1,260,000	1,320,000
Other liabilities	548,945	113,192	242,725	11,916	791,670	125,108
Total Liabilities	1,808,945	1,433,192	242,725	11,916	2,051,670	1,445,108
Net assets:						
Invested in capital assets, net of related debt	2,363,373	1,727,223	3,472,936	2,520,435	5,863,675	4,247,658
Restricted	98,872	2,259,024	-	-	98,872	2,259,024
Unrestricted	2,072,588	377,326	611,148	1,016,753	2,683,736	1,394,079
Total Net Assets	\$4,534,833	\$4,363,573	\$4,084,084	\$3,537,188	\$8,646,283	\$7,900,761

Table 1 (above) represents a Comparative summary of net assets for fiscal years 2005 and 2006 for Governmental and Business-Type Activities

**Net Assets**

As illustrated in Table 1, Capital Assets represent the largest asset type for Governmental and Business-Type activities for all comparative years. Capital Assets include: land, buildings, equipment, roads, and infrastructure less outstanding debt issued to purchase or build the asset. Capital Assets are not resources that are not available for spending, nor can they be readily being liquidated to satisfy related liabilities. In 2006, Capital Assets reflect 59% or \$3,711,170 of total Governmental Activities assets and 67% of total Capital Assets for the Primary Government. Business-Type Activities Capital Assets reflect 80% of Capital Assets and 48% of total Capital Assets for the Primary Government.

Long-Term Liabilities Outstanding represents the largest liability type for Governmental and Business-Type activities for all comparative years. Long-Term Liabilities Outstanding include: bonds and notes, leases payable, and compensated absences. In 2006, Long-Term Liabilities reflect 29% or \$1,347,797 of total Governmental Activities assets and 88% of total Long-Term Liabilities for the Primary Government. Business-Type Activities Long-Term Liabilities reflect -0-% or \$0- of Long-Term Liabilities and -0-% of total liabilities for the Primary Government.

Governmental Activities Restricted net assets include \$98,872 for Class "C" roads and \$1,332,382 for impact fees. Restricted net assets for Governmental Activities represent 32% of total net assets. Restricted net assets are subject to external restrictions on how they may be used. The remaining \$740,206 or 16% of Governmental Activities net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens, creditors, or completion of ongoing projects.

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006 – continued**

**Governmental activities**

Governmental activities increased West Point City's net assets by \$171,260. Key elements of this increase or as follows:

**West Point City**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
<b>Revenues:</b>				
<b>Program Revenues</b>				
Charges for services	\$ 1,552,201	\$ 1,339,438	\$ 1,777,421	\$ 1,676,902
Operating grants and contributions	304,596	-	1,034,051	-
Capital grants and contributions	-	-	-	-
<b>General revenues:</b>				
Taxes	1,360,893	1,207,236	-	-
Licenses and permits	356,443	564,285	-	-
Miscellaneous	-	-	-	44,580
Earnings on investments	57,121	21,405	19,605	7,752
Gain on sale of assets	-	-	-	-
Other transfers and contributions	-	(62,496)	0	-
<b>Total revenues</b>	<b>\$ 3,631,254</b>	<b>\$ 3,069,868</b>	<b>\$ 2,831,077</b>	<b>\$ 1,729,234</b>
<b>Expenses:</b>				
General government	\$ 583,623	\$ 112,983	\$ -	\$ -
Public works	-	183,376	-	-
Planning and development	-	138,694	-	-
Public safety	558,730	254,080	-	-
Engineering and building	-	131,239	-	-
Highways and public improvements	450,855	32,055	-	-
Parks, recreation, and public property	280,262	212,937	-	-
Administration	-	165,707	-	-
Capital outlay	1,788,880	515,210	-	-
Cemetery	-	20,665	-	-
Recorders	-	-	-	-
office	-	14,288	-	-
Non-departmental	-	164,341	-	-
Principal retirement	50,000	-	-	-
Interest and fiscal charges	85,010	78,343	-	-
Water, sewer, and garage expenses	-	-	2,224,001	1,586,155
Operations and maintenance	-	-	-	-
Other operating expenses	-	-	-	-
<b>Total expenses</b>	<b>3,797,360</b>	<b>2,023,918</b>	<b>2,224,001</b>	<b>1,586,155</b>
<b>Increase in net assets before transfers</b>	<b>(166,106)</b>	<b>1,045,950</b>	<b>607,076</b>	<b>143,079</b>
<b>Transfers</b>	<b>0</b>	<b>86,106</b>	<b>0</b>	<b>(55,000)</b>
<b>Increase in net assets</b>	<b>(166,106)</b>	<b>1,132,056</b>	<b>607,076</b>	<b>88,079</b>
<b>Net assets - beginning</b>	<b>4,431,232</b>	<b>3,299,176</b>	<b>3,477,008</b>	<b>3,449,109</b>
<b>Net assets - ending</b>	<b>\$ 4,534,833</b>	<b>\$ 4,431,232</b>	<b>\$ 4,084,084</b>	<b>\$ 3,477,008</b>

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
 June 30, 2006 – continued

**GOVERNMENTAL ACTIVITIES FY06 PROGRAM  
 REVENUES & EXPENDITURES**

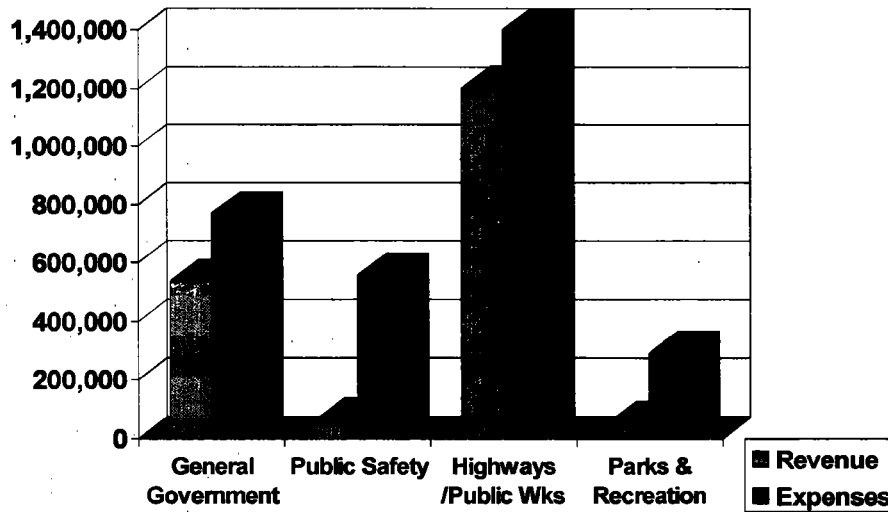


Figure 1 (left) represents fiscal year 2006 Governmental Activities major Program Revenues and Expenses

The trends depicted in Figure 1 are typical of the City's Governmental Activities.

**GOVERNMENTAL ACTIVITIES  
 FY 06 REVENUES BY SOURCE**

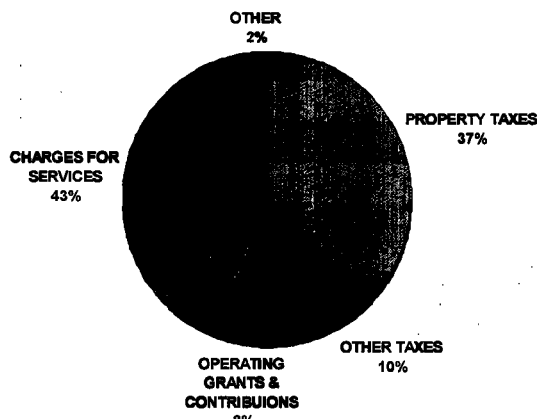


Figure 2 (left) represents fiscal year 2006 Governmental Activities major Revenues by Source

As illustrated in Figure 2, Charges for services is the largest major revenue source.



**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
 June 30, 2006 - continued

**BUSINESS-TYPE ACTIVITIES FY06 PROGRAM  
 REVENUES & EXPENDITURES**

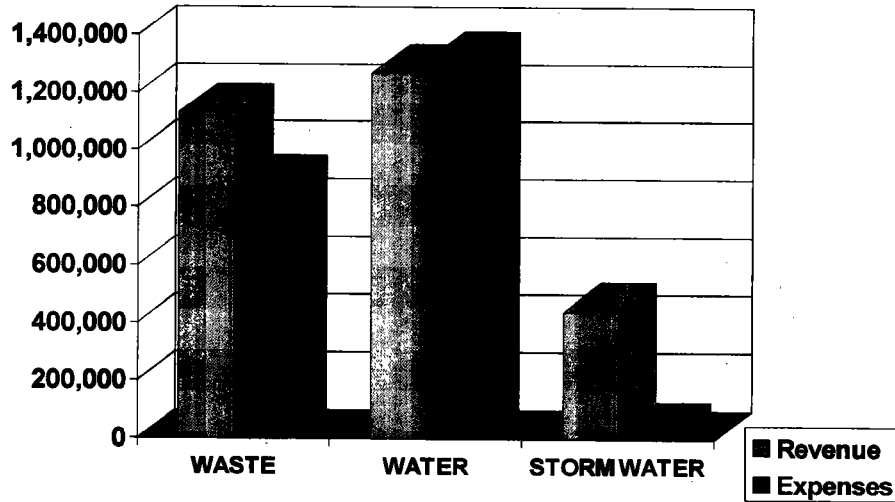


Figure 3 (above) represents fiscal year 2006 Business-Type Activities for major Program Revenues and Expenses.

The Water program has the greatest ability to generate revenues to support its program expenses. Storm Utility has the lowest ability to generate revenues to support its program expenses.

**BUSINESS-TYPE ACTIVITIES  
 FY 06 REVENUES BY SOURCE**

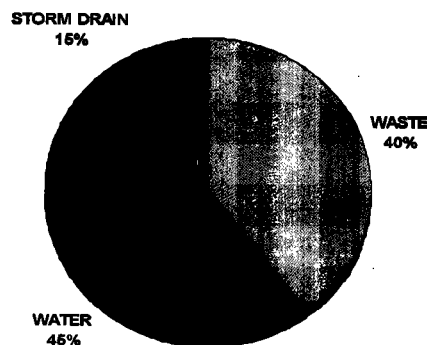


Figure 4 (above) represents fiscal year 2006 major Revenue by Source.

As illustrated in Figure 4, Public Utilities are the largest major revenue source. Public Utilities 90% share of Revenues by Source are expected to remain relatively constant in the future.

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006 - continued**

**Financial Analysis of the Government Funds**

As noted earlier, West Point City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The focus of West Point City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing West Point City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, West Point City's governmental funds (general, special revenue, capital projects, and non-major funds) reported combined ending fund balances of \$2,171,460 a decrease of \$464,890 in comparison with the prior year. Approximately 6% of this amount (\$126,927) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to the general fund (\$98,872), 2) to the Special Revenue Fund (\$1,332,382), and 3) to capital projects \$612,512.

The general fund is the chief operating fund of West Point City. At the end of the current year, unreserved fund balance of the general fund was \$126,927, while total fund balance reached \$225,799. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.75 percent of total general fund expenditures, while total fund balance represents 12.05 percent of that same balance.

Taxes continue to be the largest source of revenue in the general fund and represent 61.54 percent of total general fund revenues. Licenses and permits represent 16.12 percent of total general fund revenues.

**General Fund Budgetary Highlights**

During the year, actual revenues were more than budgeted revenues by \$221,987 and actual expenditures were less than budgeted expenditures by \$18,825 resulting in a net decrease in fund balance of the \$275,503 after interfund transfers in/(out) of \$0 and (\$824,496), respectively, and other transfers and contributions in/(out) of \$0 and \$0, respectively.

**Capital Asset and Debt Administration**

**Capital assets**

West Point City's investments in capital assets for its governmental activities, as of June 30, 2006, amounts of \$3,711,169 (net accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and motor vehicles. The total increase in West Point City's investment in capital assets for the current year was \$809,376.

Major capital asset events during the current year included the following:

**Governmental activities**

- Infrastructure additions of \$772,376 and transfers of \$0.
- Furniture and fixture additions of \$0.
- Vehicle additions of \$0.
- Equipment additions of \$37,000, and deletions of \$0.

**Business-type activities:**

- Improvements other than building additions of \$1,044,757 and transfers if \$0.
- Equipment additions of \$0 and transfers of \$0.

**WEST POINT CITY CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2006 - continued**

**WEST POINT CITY**  
**Capital Assets**  
**(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 380,189	\$ 380,189	\$ 55,500	\$ 55,500
Infrastructure	1,443,331	670,955	-	-
Buildings	1,897,288	1,897,288	60,000	60,000
Improvements other than buildings	230,870	230,870	3,781,964	2,737,207
Furniture and fixtures	79,131	79,131	-	-
Vehicles	370,850	370,850	-	-
Equipment	269,661	232,661	352,060	352,060
Less accumulated depreciation	(960,151)	(759,721)	(776,585)	(684,332)
<b>Total</b>	<b>\$ 3,711,169</b>	<b>\$ 3,102,223</b>	<b>\$ 3,472,939</b>	<b>\$ 2,520,435</b>

Additional information on West Point City's capital assets can be found in the notes to the financial statements.

**Long-term debt**

At the end of the current year, West Point City had total debt outstanding of \$1,347,797. The debt is comprised of revenue bonds.

**WEST POINT CITY**  
**Capital Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenue Bond:		
Current	\$ 55,000	\$ 55,000
Long-term	1,260,000	1,320,000
Compensated absences	32,797	-
<b>Total</b>	<b>\$ 1,347,797</b>	<b>\$ 1,375,000</b>

Additional information on West Point City's capital assets can be found in the notes to the financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of West Point City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addresses to the West Point City Manager, Richard Davis, at 3200 West 300 North, West Point City, Utah 84015.

**BASIC FINANCIAL STATEMENTS**

**WEST POINT CITY**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,485,256	\$ 676,412	\$ 3,161,668
Accounts receivable - net	16,457	177,461	193,918
Due from other funds	-	-	-
Due from other governmental units	119,231	-	119,231
Prepaid expenses	11,664	-	11,664
Deferred charges - net	-	-	0
Capital assets			
Land	380,189	55,500	435,689
Construction work in process	-	-	0
Buildings and improvements	2,900,534	4,194,023	7,094,557
Equipment	719,642	-	719,642
Infrastructure	670,955	-	670,955
Accumulated depreciation	(960,150)	(776,587)	(1,736,737)
Net capital assets	3,711,170	3,472,936	7,184,106
<b>Total assets</b>	<b>6,343,778</b>	<b>4,326,809</b>	<b>10,670,587</b>
<b>LIABILITIES</b>			
Accounts payable	450,357	146,848	597,205
Accrued liabilities	10,791	95,877	106,668
Deposits payable	-	-	0
Noncurrent liabilities due within one year	87,797	-	87,797
Noncurrent liabilities due in more than one year	1,260,000	-	1,260,000
<b>Total liabilities</b>	<b>1,808,945</b>	<b>242,725</b>	<b>2,051,670</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,363,373	3,472,936	5,836,309
Restricted for roads	1,431,254	-	1,431,254
Unrestricted	740,206	611,148	1,351,354
<b>Total net assets</b>	<b>4,534,833</b>	<b>4,084,084</b>	<b>8,618,917</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,343,778</b>	<b>\$ 4,326,809</b>	<b>\$ 10,670,587</b>

**WEST POINT CITY**  
Statement of Activities  
For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating		Governmental Activities	Primary Government	
		Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 768,875	\$ 439,273	\$ 95,718	\$ (233,884)	\$ -	\$ (233,884)
Public safety	558,730	61,538	2,753	(494,439)	-	(494,439)
Highways and public works	1,468,688	997,269	206,125	(265,294)	-	(265,294)
Parks and recreation	289,907	54,121	-	(235,786)	-	(235,786)
Interest on long-term debt	85,010	-	-	(85,010)	-	(85,010)
Total governmental activities	3,171,210	1,552,201	304,596	(1,314,413)	-	(1,314,413)
<b>Business-type activities:</b>						
Waste	881,351	783,851	317,625	-	220,125	220,125
Water	1,313,412	909,856	360,233	-	(43,323)	(43,323)
Storm	29,238	83,714	356,193	-	410,669	410,669
Total business-type activities	2,224,001	1,777,421	1,034,051	-	587,471	587,471
Total primary government	\$ 5,395,211	\$ 3,329,622	\$ 1,338,647	\$ (1,314,413)	\$ 587,471	\$ (726,942)
General revenues:						
Property taxes				408,857	-	408,857
General sales and use tax				553,876	-	553,876
Franchise tax				398,160	-	398,160
Investment earnings				57,121	19,605	76,726
Total general revenues				1,418,014	19,605	1,437,619
Change in net assets				103,601	607,076	710,677
Net assets - beginning, adjusted				4,431,232	3,477,008	7,908,240
Net assets - ending				\$ 4,534,833	\$ 4,084,084	\$ 8,618,917

The notes to the financial statements are an integral part of this statement.

**WEST POINT CITY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 196,699	\$ 1,467,847	\$ 819,943	\$ 767	\$2,485,256
Accounts receivable	16,457	-	-	-	16,457
Due from other funds	-	-	-	-	-
Due from other governmental units	119,231	-	-	-	119,231
Prepaid expense	11,664	-	-	-	11,664
Total assets	<u>344,051</u>	<u>1,467,847</u>	<u>819,943</u>	<u>767</u>	<u>2,632,608</u>
<b>LIABILITIES</b>					
Accounts payable	107,461	135,465	207,431	-	450,357
Accrued liabilities	10,791	-	-	-	10,791
Deposits payable	-	-	-	-	-
Total liabilities	<u>118,252</u>	<u>135,465</u>	<u>207,431</u>	<u>-</u>	<u>461,148</u>
<b>FUND BALANCES</b>					
Fund balances reserved for:					
Class "C" roads	98,872	-	-	-	98,872
Impact fees	-	1,332,382	-	-	1,332,382
Designated unreserved:					
Capital Projects	-	-	612,512	-	612,512
Debt service	-	-	-	767	767
Unreserved fund balance	<u>126,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,927</u>
Total fund balances	<u>225,799</u>	<u>1,332,382</u>	<u>612,512</u>	<u>767</u>	<u>2,171,460</u>
Total liabilities and fund balances	<u>\$ 344,051</u>	<u>\$ 1,467,847</u>	<u>\$ 819,943</u>	<u>\$ 767</u>	<u>\$2,632,608</u>

**WEST POINT CITY**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2006**

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Total fund balances - governmental fund types: \$ 2,171,460

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,711,170

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail is as follows:

Bonds payable	(1,315,000)	
Less: Deferred charge on refunding (to be amortized as interest expense)	0	
Less: Deferred charge for issuance costs (to be amortized over life of debt)	0	
Capital lease payable	0	
Compensated absences	<u>(32,797)</u>	
		<u>(1,347,797)</u>

Net assets of government activities

\$ 4,534,833



**WEST POINT CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,360,893	\$ -	\$ -	\$ -	\$1,360,893
Licenses and permits	356,443	-	-	-	356,443
Intergovernmental	292,805	11,791	-	-	304,596
Charges for services	198,489	-	-	-	198,489
Impact fees	-	997,269	-	-	997,269
Interest income	2,653	50,585	3,883	-	57,121
Total revenues	<u>2,211,283</u>	<u>1,059,645</u>	<u>3,883</u>	<u>-</u>	<u>3,274,811</u>
<b>Expenditures</b>					
Current:					
General government	583,623	-	-	-	583,623
Public safety	558,730	-	-	-	558,730
Highways and public works	450,855	-	-	-	450,855
Parks and recreation	280,262	-	-	-	280,262
Capital expenditures	-	1,411,458	377,422	-	1,788,880
Debt service:					
Principal retirement	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	85,010	85,010
Total expenditures	<u>1,873,470</u>	<u>1,411,458</u>	<u>377,422</u>	<u>135,010</u>	<u>3,797,360</u>
Excess revenues over (under) expenditures	<u>337,813</u>	<u>(351,813)</u>	<u>(373,539)</u>	<u>(135,010)</u>	<u>(522,549)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	415,000	132,000	547,000
Transfers out	(547,000)	-	-	-	(547,000)
Total other financing sources and uses	<u>(547,000)</u>	<u>-</u>	<u>415,000</u>	<u>132,000</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	(209,187)	(351,813)	41,461	(3,010)	(522,549)
Fund balances - beginning of year, as adjusted	<u>434,986</u>	<u>1,684,195</u>	<u>571,051</u>	<u>3,777</u>	<u>2,694,009</u>
Fund balances - end of year	<u>\$ 225,799</u>	<u>\$1,332,382</u>	<u>\$ 612,512</u>	<u>\$ 767</u>	<u>\$2,171,460</u>

**WEST POINT CITY**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changed in fund balances - total governmental funds	\$ (522,549)
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Governmental funds report capital outlays as expenditures (\$809,376). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$200,429). This is the amount by which capital outlays exceeded depreciation in the current period.	608,947
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(32,797)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal repayments	50,000
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Change in net assets of governmental activities	<u>\$ 103,601</u>
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**WEST POINT CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,360,893	\$ -	\$ -	\$ -	\$1,360,893
Licenses and permits	356,443	-	-	-	356,443
Intergovernmental	292,805	11,791	-	-	304,596
Charges for services	198,489	-	-	-	198,489
Impact fees	-	997,269	-	-	997,269
Interest income	2,653	50,585	3,883	-	57,121
Total revenues	2,211,283	1,059,645	3,883	-	3,274,811
<b>Expenditures</b>					
Current:					
General government	583,623	-	-	-	583,623
Public safety	558,730	-	-	-	558,730
Highways and public works	450,855	-	-	-	450,855
Parks and recreation	280,262	-	-	-	280,262
Capital expenditures	-	1,411,458	377,422	-	1,788,880
Debt service:					
Principal retirement	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	85,010	85,010
Total expenditures	1,873,470	1,411,458	377,422	135,010	3,797,360
Excess revenues over (under) expenditures	337,813	(351,813)	(373,539)	(135,010)	(522,549)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	415,000	132,000	547,000
Transfers out	(547,000)	-	-	-	(547,000)
Total other financing sources and uses	(547,000)	-	415,000	132,000	-
Excess of revenues and other sources over expenditures and other uses	(209,187)	(351,813)	41,461	(3,010)	(522,549)
Fund balances - beginning of year, as adjusted	434,986	1,684,195	571,051	3,777	2,694,009
Fund balances - end of year	\$ 225,799	\$1,332,382	\$ 612,512	\$ 767	\$2,171,460

**WEST POINT CITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Expenditures</b>				
General government:				
Mayor and council	\$ 145,361	\$ 216,337	\$ 177,901	\$ (38,436)
Administrative	189,217	189,939	201,554	11,615
Recorder	5,750	5,750	5,355	(395)
Non-departmental	149,787	158,787	198,813	40,026
Total general government	<u>490,115</u>	<u>570,813</u>	<u>583,623</u>	<u>12,810</u>
Public safety:				
Public safety	113,546	113,546	99,078	(14,468)
Emergency response	147,525	147,525	139,917	(7,608)
Engineering	95,639	170,639	178,507	7,868
Planning and development	142,484	147,457	141,228	(6,229)
Total public safety	<u>499,194</u>	<u>579,167</u>	<u>558,730</u>	<u>(20,437)</u>
Streets and public works:				
Streets	175,000	175,000	174,779	(221)
Public works	265,786	278,267	276,076	(2,191)
Total streets and public works	<u>440,786</u>	<u>453,267</u>	<u>450,855</u>	<u>(2,412)</u>
Parks and recreation:				
Cemetery	18,805	18,805	14,701	(4,104)
Parks	128,315	128,315	117,698	(10,617)
Recreation	134,878	141,928	147,863	5,935
Total parks and recreation	<u>281,998</u>	<u>289,048</u>	<u>280,262</u>	<u>(8,786)</u>
Total expenditures	<u>1,712,093</u>	<u>1,892,295</u>	<u>1,873,470</u>	<u>(18,825)</u>
Excess revenues over (under) expenditures	<u>97,000</u>	<u>97,001</u>	<u>337,813</u>	<u>240,812</u>
<b>Other financing sources (uses)</b>				
Capital leases	-	-	-	-
Transfers out	<u>(397,000)</u>	<u>(597,000)</u>	<u>(547,000)</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(397,000)</u>	<u>(597,000)</u>	<u>(547,000)</u>	<u>50,000</u>
Excess revenues and other sources over (under) expenditures and other uses			<u>(209,187)</u>	<u>290,812</u>
Fund balance - beginning of year , adjusted			<u>434,985</u>	
Fund balance - end of year			<u>\$ 225,798</u>	

The notes to the financial statements are an integral part of this statement.

**WEST POINT CITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise Funds			
	Waste Utilities	Water Utility	Storm Utility	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 407,513	\$ 122,854	\$ 146,045	\$ 676,412
Accounts receivable - net	158,411	17,479	1,571	177,461
Total current assets	565,924	140,333	147,616	853,873
Noncurrent assets:				
Bond issue costs		-		-
Land	55,500	-		55,500
Construction work in process		-		-
Buildings		-		-
Improvements other than buildings	1,068,251	2,452,445	673,327	4,194,023
Machinery and equipment		-		-
Less: Accumulated depreciation	(286,589)	(467,592)	(22,406)	(776,587)
Total noncurrent assets	837,162	1,984,853	650,921	3,472,936
Total assets	\$ 1,403,086	\$ 2,125,186	\$ 798,537	\$ 4,326,809
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 64,688	\$ 81,978	\$ 182	\$ 146,848
Accrued liabilities	84,360	11,517		95,877
Total current liabilities	149,048	93,495	182	242,725
Noncurrent liabilities:				
Bonds payable	-	-	-	-
Total noncurrent liabilities	-	-	-	-
Total liabilities	149,048	93,495	182	242,725
Net Assets:				
Invested in capital assets, net of related debt	837,162	1,984,853	650,921	3,472,936
Unrestricted	416,876	46,838	147,434	611,148
Total net assets	1,254,038	2,031,691	798,355	4,084,084
Total liabilities and net assets	\$ 1,403,086	\$ 2,125,186	\$ 798,537	\$ 4,326,809

**WEST POINT CITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Waste Utilities</b>	<b>Water Utility</b>	<b>Storm Utility</b>	<b>Total Enterprise Funds</b>
<b>Operating revenue:</b>				
Charges for services	\$ 754,157	\$ 831,413	\$ 83,714	\$ 1,669,284
Connection and other fees	21,420	77,500	-	98,920
Other income	8,274	943	-	9,217
Total operating revenues	783,851	909,856	83,714	1,777,421
<b>Operating expenses:</b>				
Personnel services	141,485	141,443	-	282,928
Contractual services	627,960	1,070,646	19,365	1,717,971
Materials and supplies	69,036	51,135	-	120,171
Depreciation expense	42,870	50,188	9,873	102,931
Total operating expenses	881,351	1,313,412	29,238	2,224,001
Operating income	(97,500)	(403,556)	54,476	(446,580)
<b>Nonoperating revenue (expense):</b>				
Interest income	13,260	5,513	832	19,605
Contributions/grants	317,625	360,233	356,193	1,034,051
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	330,885	365,746	357,025	1,053,656
Change in net assets	233,385	(37,810)	411,501	607,076
Net assets - beginning	1,020,653	2,069,501	386,854	3,477,008
Net assets - ending	\$ 1,254,038	\$ 2,031,691	\$ 798,355	\$ 4,084,084

**WEST POINT CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006 and 2005**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Waste Utilities</b>	<b>Water Utility</b>	<b>Storm Utility</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 854,368	\$ 896,045	\$ 82,948	\$ 1,833,361
Payments to suppliers	(582,308)	(1,016,719)	(19,183)	(1,618,210)
Payments to employees and benefits	(130,325)	(129,926)	-	(260,251)
Payments for interfund services used	(50,000)	(35,000)	-	(85,000)
Net cash provided (used) by operating activities	91,735	(285,600)	63,765	(130,100)
<b>Cash flows from capital and related financing activities</b>				
Purchases of capital assets	(55,411)	(26,298)	-	(81,709)
Net cash provided (used) by capital and related financing activities	(55,411)	(26,298)	-	(81,709)
<b>Cash flows from investing activities</b>				
Interest and dividends received	13,260	5,513	832	19,605
Net cash provided (used) by investing activities	13,260	5,513	832	19,605
Net increase (decrease) in cash and cash equivalents	49,584	(306,385)	64,597	(192,204)
Cash and cash equivalents - beginning	357,929	429,239	81,448	868,616
Cash and cash equivalents (deficit) - end	\$ 407,513	\$ 122,854	\$ 146,045	\$ 676,412
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	(97,500)	(403,556)	54,476	(446,580)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization expense	42,870	50,188	9,873	102,931
(Increase)/decrease in accounts receivable	(2,683)	(13,811)	(914)	(17,408)
Increase/(decrease) in accounts payable	64,688	70,062	182	134,932
Increase/(decrease) in accrued liabilities	84,360	11,517	-	95,877
Total adjustments	189,235	117,956	9,141	316,332
Net cash provided (used) by operating activities	91,735	(285,600)	63,617	(130,248)
<b>Noncash capital financing activities:</b>				
Contribution by developers	317,625	360,233	356,193	1,034,051

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**B. Government-wide and Fund Financial Statements - Continued**

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements, to the extent that those standards do no conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source" in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, rather than expenditures in the governmental fund statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally within sixty days) to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded when payment is due.



**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies**

West Point City (City) was incorporated in 1935. The City operates under a manager/council form of government and provides the following services as authorized by its character: public safety, streets and highways, public utilities, parks and recreation and general administrative services. The financial statements of West Point City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present West Point City (the primary government) and its component units. The City currently has no component units to report.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting agency is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

**Blended Component Unit**

The West Point City Redevelopment Agency (RDA) is governed by the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax. The RDA had no activity, nor balance for this fiscal year.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds. The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of inter-fund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities and inter-fund services provided.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

Sales and use taxes, franchise taxes and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied and available only when cash is received by the county treasurer prior to the City's fiscal year end and remitted to the City within sixty days of its fiscal year end.

**The City reports the following major governmental funds:**

General Fund - The General Fund is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, impact fees that are legally restricted for the construction and maintenance of infrastructure assets of the City.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital improvements (other than those financed by proprietary and special revenue funds).

**The City reports the following major enterprise funds:**

Waste Utility Fund - is used to account for the garbage and sewer services provided.

Water Utility Fund - is used to account for the water services provided.

Storm Utility Fund - is used to account for the storm drain services provided.

**The City reports the following additional fund types:**

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those of the proprietary funds).

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and repair services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers to the system. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**D. Budgets**

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Utah State allows for any undesignated fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

**E. Taxes**

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22<sup>nd</sup> and the City Recorder is to certify the tax rate to the County Auditor before June 22<sup>nd</sup>. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah Code Sections 10-6-109 through 10-6-135.

All property taxes levied by the City are assessed and collected by Davis County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

**F. Capital Assets**

Capital assets, which include land, buildings, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**F. Capital Assets - Continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are carried at cost or estimated historical cost. Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

Buildings and improvements	20-50 Years
Sewer collection system	50 Years
Water distribution systems	50 Years
Infrastructure and improvements	20-40 Years
Machinery and equipment	5-10 Years
Other improvements	10-40 Years

**G. Long-Term Obligation**

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**H. Reservation of Fund Balance/Retained Earnings**

The City is required to reserve part of the fund balance of the general fund to account for the unexpected portions of certain types of revenue. The reserved fund balance is for class "C" road revenue and impact fees collected which have not been spent on project completion. The City determines on a project by project basis whether to use restricted or unrestricted funds for project completion.

**I. Cash and Cash Equivalents**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less when acquired by the city.

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Deposits and Investments**

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 2 - Deposits and Investments – Continued**

**A. Custodial Credit Risk**

**Deposits.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's bank balances at June 30, 2006 were \$3,250,776 of which \$3,057,776 were uninsured and uncollateralized.

**Investments.** Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City currently does not have any investments with the state of Utah PTIF as discussed below.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act. The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 0	54 days*	not rated
Total	\$ 0		

\* Weighted-average maturity

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 2 - Deposits and Investments - Continued**

**C. Interest Rate Risk - Continued**

corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

**Note 3 - Accounts Receivable**

Accounts receivables are recorded net of the allowance for doubtful accounts of \$1,000 in the enterprise fund.

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

**West Point City**  
**June 30, 2006**  
**Fixed Asset Summary**

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 380,189	\$ -	\$ -	\$ 380,189
Construction in process	-	-	-	-
Total	380,189	-	-	380,189
Capital assets, being depreciated:				
Buildings and improvements	1,897,288	772,376	-	2,669,664
Other improvements	230,870	-	-	230,870
Machinery and equipment	682,642	37,000	-	719,642
Infrastructure	670,955	-	-	670,955
Total	3,481,755	809,376	-	4,291,131
Less accumulated depreciation for:				
Buildings	(212,831)	(60,231)	-	(273,062)
Other improvements	(99,091)	(15,391)	-	(114,482)
Machinery and equipment	(419,933)	(97,291)	-	(517,224)
Infrastructure	(27,866)	(27,516)	-	(55,382)
Total	(759,721)	(200,429)	-	(960,150)
Capital assets, being depreciated, net	2,722,034	608,947	-	3,330,981
	\$ 3,102,223	\$ 608,947	\$ -	\$ 3,711,170

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 4 – Capital Assets - Continued**

**Business-type activities:**

Capital assets, not being depreciated:

Land	\$ 55,500	\$ -	\$ -	\$ 55,500
Total	55,500	-	-	55,500

Capital assets, being depreciated:

Buildings	60,000	-	-	60,000
Improvements	2,737,207	1,044,757	-	3,781,964
Equipment	352,060	-	-	352,060
Total	3,149,267	1,044,757	-	4,194,024

Less accumulated depreciation for:

Buildings	(5,794)	(1,905)	-	(7,699)
Improvements	(516,375)	(54,802)	-	(571,177)
Equipment	(162,164)	(35,547)	-	(197,711)
Total accumulated depreciation	(684,333)	(92,254)	-	(776,587)

Capital assets, being depreciated, net	2,464,934	952,503	-	3,417,437
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Business-type activities capital assets, net	\$ 2,520,434	\$ 952,503	\$ -	\$ 3,472,937
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Depreciation expense was charged to functions of the primary government as follows:

**Governmental activities:**

General government	\$ 173,252
Public works	17,532
Parks and Community Services	9,645
Total depreciation expense - governmental activities	<u>\$ 200,429</u>

**Note 5- Compensated Absences**

Accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due retired or terminated employees are recorded as liabilities. The remainder of the liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. The City estimates that none of the compensated absences will be due in the next year due to the fact that employees are building their leave balances.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 6 - Retirement Plans**

**A. Plan Description**

West Point City contributes to the Local Governmental Contributory Retirement System and Local Governmental Non-contributory Retirement System. Public Safety Retirement System for employers with Social Security coverage which are for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local

Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems at 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**B. Funding Policy**

In the Local Governmental Non-contributory Retirement System West Point City is required to contribute 11.09% of their annual-covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

West Point City contributions for the Non-contributory Retirement System for June 30, 2006, 2005 and 2004 were \$54,352, \$44,349, and \$32,623 respectively, for the Public Safety Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$0, \$0, and \$0 respectively, for the Non-contributory Public Safety Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$0, \$0, and \$0 respectively, and for the 401(K) Plan the contributions for June 30, 2006, 2005, and 2004 were \$13,979, \$16,345, and \$13,436 respectively. The contributions were equal to the required contributions for each year.

**Note 7 - Deferred Compensation Plan**

The City maintains a section 457 deferred compensation plan that is administered through the Utah State Retirement System. The amount of employee contributions to the deferred compensation plan at the year end was \$0, \$0, and \$0 for the years ended June 30, 2006, 2005, and 2004.



**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 8 - Inter-fund Transfers**

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2006 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 547,000
Capital Projects	415,000	-
Nonmajor Funds	132,000	-
Enterprise Funds	-	-
	<u>\$ 547,000</u>	<u>\$ 547,000</u>

**Note 8 - Inter-fund Transfers - Continued**

The purpose of the interfund transfers is to meet the City's ongoing cash needs for capital projects and debt service needs. In addition to the operating transfers, the General Fund charged \$50,000 to the Waste Fund and \$35,000 to the Water Fund proprietary fund for personnel and administrative services during the year.

**Note 10 - Contingent Liabilities**

Amounts received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. The City is also involved in various claims that should be covered by insurance.

**Note 11 - Construction commitments**

Although the City is actively involved in construction projects, as of June 30, 2006, all projects have been completed.

**Note 12 - Risk Management**

West Point City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Local Governments Trust, a public entity risk pool. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City carries \$2,000,000 of liability coverage, \$300,000 of fidelity bond coverage.

The City's participates in the public entity risk pool's general liability insurance program. This program requires annual premiums based on the City's level of insurance and previous claims experience. The payment of the premium indemnifies the City for claims that exceed its deductible amount. The risk pool is governed by the inter-local risk pool agreement

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 13 – Long-term Debt**

**A. Revenue bonds**

The City has issued bonds where the government pledges income derived from excise tax to pay debt service. During the year no revenue bonds were issued. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Excise tax	5.4%	\$ 1,315,000

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	60,000	69,390	129,390
2008	60,000	66,150	126,150
2009	65,000	62,775	122,775
2010	70,000	58,130	128,130
2011	75,000	55,215	125,215
2012-2016	425,000	232,785	657,785
2017-2021	560,000	110,915	670,915
	<u>\$ 1,315,000</u>	<u>\$ 655,360</u>	<u>\$ 1,970,360</u>

**B. Changes in Long-term Debt**

During the year ended June 30, 2006 the following activity occurred in liabilities reported as long-term:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bond payable	\$ 1,375,000	\$ -	\$ (60,000)	\$1,315,000	\$ 55,000
Compensated absences	<u>0</u>	<u>32,797</u>	<u>-</u>	<u>32,797</u>	<u>32,797</u>
Total	<u>\$ 1,375,000</u>	<u>\$ 32,797</u>	<u>\$ (60,000)</u>	<u>\$1,347,797</u>	<u>\$ 87,797</u>

**Note 14 – Prior Period Adjustment**

The General Fund and the Waste Utility Fund beginning fund balances were restated as a result of a prior period adjustment. The General Fund adjustment was made to accrue B&C road allocation monies, property taxes and sales taxes in to the June 30, 2005 year. The Waste Utility adjustment was to recognize the utility deposit liability for the fund from customer deposits.

**WEST POINT CITY**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**Note 14 – Prior Period Adjustment – Continued**

	<u>General Fund</u>	<u>Waste Fund</u>
Fund balance at June 30, 2005 as previously reported	\$ 377,326	\$1,080,833
Prior period adjustment to accrue revenues	57,660	-
Prior period adjustment to record customer deposits	<u>-</u>	<u>(60,180)</u>
Beginning fund balance as restated	<u>\$ 434,986</u>	<u>\$1,020,653</u>

**Note 15 - Developer Contributions**

The Waste, Water, and Storm Funds regularly receive contributions from developers for the extension of water, sewer and storm lines. Private developers construct water, sewer, and storm transmission systems at their own cost. Occasionally the City replaces existing lines as well. The current year additions by developers totaled \$1,034,051 for water, sewer, and storm drain systems.

**Note 16 – Budget Deficits**

During the year the City overspent its budgets in the General fund general government budget by \$12,810 and the Debt Service fund by \$3,010.

**SUPPLEMENTAL INFORMATION**

**WEST POINT CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Special Revenue Fund - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Impact fees	\$ 839,500	\$ 839,500	\$ 997,269	\$ 157,769
Intergovernmental	150,000	150,000	11,791	(138,209)
Interest income	15,000	-	50,585	50,585
Total	<u>1,004,500</u>	<u>989,500</u>	<u>1,059,645</u>	<u>70,145</u>
<b>Expenditures</b>				
Capital expenditures	<u>1,510,050</u>	<u>1,510,050</u>	<u>1,411,458</u>	<u>(98,592)</u>
Total	<u>1,510,050</u>	<u>1,510,050</u>	<u>1,411,458</u>	<u>(98,592)</u>
Excess of revenues over (under) expenditures	<u>(505,550)</u>	<u>(520,550)</u>	<u>(351,813)</u>	<u>168,737</u>
Fund balance - beginning of year	-	-	1,684,195	-
Fund balance - end of year	<u>\$ (505,550)</u>	<u>\$ -</u>	<u>\$ 1,332,382</u>	<u>\$ -</u>

**WEST POINT CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Capital Projects Fund - Budget and Actual**  
**For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Interest income	\$ 1,500	\$ 1,500	\$ 3,883	\$ 2,383
Total	<u>1,500</u>	<u>1,500</u>	<u>3,883</u>	<u>2,383</u>
<b>Expenditures</b>				
Capital expenditures	303,500	382,000	377,422	(4,578)
Excess of revenues over (under) expenditures	<u>(302,000)</u>	<u>(380,500)</u>	<u>(373,539)</u>	<u>6,961</u>
<b>Other financing sources (uses)</b>				
Transfers in	265,000	465,000	415,000	(50,000)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>265,000</u>	<u>465,000</u>	<u>415,000</u>	<u>(50,000)</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>(37,000)</u>	<u>84,500</u>	<u>41,461</u>	<u>(43,039)</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>571,051</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,512</u>	<u>\$ -</u>

**WEST POINT CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non Major Fund - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Impact fees	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
Total	-	-	-	-
<b>Expenditures</b>				
Debt service:				
Principal retirement	50,000	50,000	50,000	-
Interest and fiscal charges	82,000	82,000	85,010	3,010
Total	132,000	132,000	135,010	3,010
Excess of revenues over (under) expenditures	(132,000)	(132,000)	(135,010)	(3,010)
<b>Other financing sources (uses)</b>				
Transfers in	132,000	132,000	132,000	-
Total other financing sources (uses)	132,000	132,000	132,000	-
Excess revenues and other sources over (under) expenditures and other uses	-	-	(3,010)	-
Fund balance - beginning of year	-	-	3,777	-
Fund balance - end of year	\$ -	\$ -	\$ 767	\$ -

**STATISTICAL SECTION**



**WEST POINT CITY**  
**Supplementary Schedule of Impact Fees**  
**Income, Expenditures, and Balance**  
**June 30, 2006**

	WATER	SEWER/LIFT STATION	STORM WATER	PARK	ROAD	N. DAVIS FIRE
<b>End Bal. 1996</b>	\$63,187.09	\$131,765.22		\$54,000.19	\$0.00	
<b>1997 (to 7/97)</b>						
Fees Assessed	33,200	18,030		12,600		
Interest Earned	1,517	1,305		130		
Funds Spent	54,100	52,500		56,763		
Balance	43,804	98,600	350,996	9,968	0	
<b>1998 (fiscal yr.)</b>						
Fees Assessed	61,051	19,495	43,058	33,845	47,699	
Interest Earned	1,180	3,066	9,054	275	477	
Funds Spent	40,000	0	165,776	17,023	6,476	
Balance	66,035	121,161	237,332	27,065	41,700	
<b>1999 (fiscal yr.)</b>						
Fees Assessed	26,528	20,293	60,196	50,368	75,392	
Interest Earned	1,803	3,069	1,813	750	1,654	
Funds Spent	405	405	244,500	720	0	
Balance	93,961	144,118	54,840	77,462	118,745	
<b>2000 (fiscal yr.)</b>						
Fees Assessed	23,155	18,407	62,876	67,498	78,202	
Interest Earned	2,131	3,102	1,777	1,091	3,129	
Funds Spent	0	0	0	42,926	14,590	
Balance	119,246	165,627	119,493	103,126	185,486	
<b>2001 (fiscal yr.)</b>						
Fees Assessed	16,097	12,490	141,452	33,194	50,963	
Interest Earned	3,190	4,193	3,493	3,504	5,437	
Funds Spent	13,038	6,834	156,445	5,235	10,589	
Balance	125,495	175,475	107,993	134,589	231,296	
<b>2002 (fiscal yr.)</b>						
Fees Assessed	41,725	24,726	226,200	75,086	238,650	
Interest Earned	478	637	901	849	1,323	
Funds Spent	91,848	7,968	184,724	117,966	253,119	
Balance	75,850	192,870	150,370	92,557	218,150	
<b>2003 (fiscal yr.)</b>						
Fees Assessed	72,800	206,167	205,191	129,002	98,400	
Interest Earned	568	1,210	1,064	485	1,535	
Funds Spent	5,444	180,746	99,688	170,844	34,636	
Balance	143,774	219,501	256,938	51,201	283,449	
<b>2004 (fiscal yr.)</b>						
Fees Assessed	136,800	373,956	271,200	168,369	110,400	
Interest Earned	1,960	2,319	2,452	511	1,311	
Funds Spent	310	316,223	210,006	116,026	227,674	
Balance	282,224	279,553	320,584	104,055	167,485	
<b>2005 (fiscal yr.)</b>						
Fees Assessed	108,324	374,980	263,340	189,000	110,350	
Interest Earned	4,419	3,655	5,715	2,128	2,373	
Funds Spent	14,416	325,942	34,992	106,317	93,506	
Balance	380,551	332,246	554,647	188,866	186,703	
<b>2006 (fiscal yr.)</b>						
Fees Assessed	78,500	291,222	241,300	239,000	109,330	32,850
Interest Earned	5,985	9,191	18,954	9,372	7,021	0
Funds Spent	455,000	499,302	179,533	44,320	35,579	30,441
Balance	\$ 10,036	\$ 133,356	\$ 635,368	\$ 392,918	\$ 267,475	\$ 2,409

## REPORTS

**Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Honorable Mayor and City Council  
West Point City, Utah**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City as of and for the year ended June 30, 2006, which collectively comprise West Point City's basic financial statements and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether West Point City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered West Point City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect West Point City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 to 2006-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1 to be a material weakness.

This report is intended solely for the information and use of the Mayor, City Council, and State agencies. However, this report is a matter of public record and its distribution is not limited.

*Litz & Company, P.C.*

December 8, 2006

**WEST POINT CITY**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2006**

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**Finding relating to the financial statement which are required to be reported in accordance with generally accepted government auditing standards.**

**MATERIAL WEAKNESS**

**2006-01      Incompatible Functions**

**Finding:** During our review of the cash receipting and financial reporting, we noted that the employees who perform the cash receipting function also have full access to the accounting system records. In the area of utility billing and collections, the utility clerk who receives customer payments has access to post the payment to the customer accounts and also has the ability to post adjustments to the same customer accounts without any supervisory approval or control. We noted that not all payments were deposited timely. We also noted that the City Treasurer handles daily collections and has full access to the accounting system for recording and adjusting of accounting information.

The ability of cashiers to post adjustments to the accounting records eliminates most if not all of the safeguards that will ensure that funds are deposited intact. The adjustment or modification of accounting records by cashiers will greatly reduce management's ability to review transactional report to ensure that account balances are correct and that all collections have been properly posted to customer accounts.

**Recommendation:** To increase controls over cash receipts of the City, the cashiering function should be separated from the record keeping function. The City should have a central cashier that would handle all receipts and be responsible to post all payments to customer accounts and prepare deposit slips. This party would have no ability to make adjustments to customer accounts. The accounting office should monitor all daily receipts by comparing deposit slips to transactional reports to ensure that all receipts were deposited. All adjustments to customer accounts would require a written notice to be provided to the finance officer for approval and input into the computer system. In this fashion the cashier will not have the ability to modify the accounting records and the accounting personnel will not have the ability to handle the cash. This will create the proper check and balance over the City receipts.

**Response:** Because our staffing is light, the City has utilized an "all hands on deck" approach to providing customer service. This has resulted in the cash receipting function sometimes being performed by the same person who maintains accounting records. The City has implemented a new policy that makes the separation between cash receipting and accounting. The Treasurer no longer receives funds.

The City has maintained two cashiering stations to facilitate recreation sign-ups without delaying those desiring to make utility payments. Cashiering has now been centralized.

The utility clerk, who also serves as the central cashier, must have the ability to make certain adjustments to customer accounts, i.e. - to credit accounts, discontinue service or initiate service, etc. The City has implemented a new policy that prohibits the utility clerk from making substantive adjustments, i.e. - utilizing deposits to satisfy delinquent accounts, change names and balances on accounts, etc. Major modifications will require the involvement of the City Treasurer.

A policy and practice addressing the recommendation of monitoring all daily receipts is currently in place. All financial transactions, regardless of type of complexity (size), generate reports of various types. These are now reconciled at the close of every business day.

**WEST POINT CITY**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2006**

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**REPORTABLE CONDITIONS**

**2006-02      Utility Deposits**

**Finding:**      Utility customers are required to leave deposits when new accounts are set up with the City. These funds are to be returned to the customers or used to pay delinquent accounts based on the current policy of the City. Presently these payments are being recorded into revenue accounts instead of liability accounts when paid. This procedure overstates income and understates the liability account.

**Recommendation:**      We recommend that utility deposits be coded to the liability account 51-2140 when received. Likewise when customer deposits are repaid they should be coded to the 51-2140 account as well. If these steps are taken, the utility deposits payable account will accurately reflect the City's liability balance.

**Response:**      The City has implemented a similar policy with regard to recreation deposits and agrees with the recommendation of coding utility deposits to a liability account. This will be immediately implemented.

**2006-03      Merchant Account Reconciliation**

**Finding:**      The Wells Fargo Merchant account used to process credit card payments received by the City is not reconciled back to the accounting records. Instead the account balance at month end is recorded to cash with the corresponding adjustment being recorded into revenue. Without reconciling the account the City will not be sure that all credit card charges that have been posted to the customer accounts have been properly deposited into the City bank account.

**Recommendation:**      The City should reconcile the merchant account to the daily deposit detail reports to ensure that all charges are being credited to the City accounts. This process will detect any charges that were not processed by the bank and allow the City to adjust the customers account appropriately and follow up on any undeposited funds.

**Response:**      The City agrees that the City should reconcile the merchant account to the daily deposit detail reports, and this will be immediately implemented.

**Independent Auditors' State Legal Compliance Report****Honorable Mayor and City Council  
West Point City, Utah**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City, for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. As part of our audit, we have audited West Point City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

**B&C Road Funds (Department of Transportation)**

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of West Point City's financial statements.)

**Liquor Law Enforcement (State Tax Commission)**

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

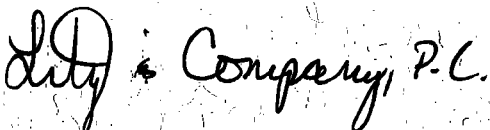
Public Debt	Liquor Law Enforcement
Cash Management	B&C Road Funds
Purchasing Requirements	Other General Issues
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property Tax Limits	Impact Fees and Other Development Fees

The management of West Point City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of State Findings and Questioned Costs.

In our opinion West Point City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

**December 8, 2006**

**WEST POINT CITY**  
**Schedule of State Findings and Questioned Costs**  
**June 30, 2006**

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**CASH MANAGEMENT**

**Finding:** During our review of cashing function and through discussion with City personnel, it was determined that although most of the funds are deposited timely, not all receipts were deposited with in three business days.

**Recommendation:** While reviewing the internal controls over receipting, the City should review the daily receipting procedures and educate all personnel on the need to make timely deposits. This issue should also be part of the employee evaluations process to ensure all personnel are mindful of the need to make timely deposits.

**Questioned Costs**

\$ -0-

**Response:** It has been the City's long-standing policy and practice to review the daily receipting procedures and educate all personnel on the need to make timely deposits. This is done and will be continue to be enforced.

**BUDGETARY COMPLIANCE**

**Finding:** Cities are required to restrict expenditures to the amounts budgeted by department in the general fund and in total by fund for the other funds. The City overspent its budgets it the following areas.

General Fund - General Government	\$12,810
Debt Service Fund	\$3,010

**Recommendation:** The City should monitor its budgets to ensure that no budget amounts are exceeded. To aid in this effort the City should consider holding a budget hearing on the last council meeting of the fiscal year to handle any changes that are necessary to accomplish this requirement.

**Response:** Circumstances unique to this fiscal year made budget compliance particularly difficult. In addition, untimely financial reports have made it difficult, due to the nature of our current accounting software, to receive timely financial information. Finally, the City does now and will continue to hold end of year budget hearings to make year-end adjustments. The City should acquire the new "dashboard" function from Caselle to provide more timely accounting information. We will, meanwhile, continue the practice of making year-end adjustments.



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Enhancing Quality of Life

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April 18, 2007

MacRay A. Curtis, CPA  
Director, Local Government Division  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
Salt Lake City, UT 84114-2310

Dear Mr. Curtis:

I am in receipt of your letter dated April 12, 2007. This letter requested our responses to audit findings associated with our 2006 audit report. Specifically, we are to submit to your office a corrective action plan to address each area of non compliance.

This plan, although not submitted to you until now, was composed in December of 2006. I have attached this corrective action plan to this letter. Please note that I will serve as the contact person related to each corrective action.

You will note that all areas of non-compliance have now been addressed and policies implemented to ensure compliance. We do hope you will appreciate our compliance this year with fund balance limitations. This is an area that has given us some problem in the past.

We appreciate very much your service. Should you have any questions, please feel free to contact me at 336-6195.

Sincerely,

A handwritten signature in dark ink, appearing to read "RDavis", is written over the typed name.

Rick Davis,  
City Manager

cc: Mayor John Petroff  
Julie A. Gentry, City Treasurer





## MEMORANDUM

**TO** Mayor John Petroff and the West Point City Council  
**FROM** Rick Davis, City Manager  
**CC** Litz and Company, P.C. - Certified Public Accountants  
**DATE** December 19, 2006  
**RE** Response to Audit Findings

In response to findings presented by the City's auditor relative to the 2006 Financial Audit and associated recommendations, I offer the following responses:

RECOMMENDATION	RESPONSE	CORRECTIVE ACTION
To increase controls over cash receipts of the City, the cashiering function should be separated from the record keeping function.	Because our staffing is light, the City has utilized an "all hands on deck" approach to providing customer service. This has resulted in the cash receipting function sometimes being performed by the same person who maintains accounting records.	The City has implemented a new policy that makes the separation between cash receipting and accounting. The Treasurer no longer receives funds.
The City should have central cashier.	The City maintained two cashiering stations to facilitate recreation sign-ups without delaying those desiring to make utility payments.	Cashiering has been centralized.
The central cashier would have no ability to make adjustments to customer accounts.	The utility clerk, who also serves as the central cashier, must have the ability to make certain adjustments to customer accounts, ie. - to credit accounts, discontinue service or initiate service, etc.	The City has implemented a new policy that prohibits the utility clerk from making substantive adjustments, ie. - utilizing deposits to satisfy delinquent accounts, change names and balances on accounts, etc. Major modifications will require the involvement of the City Treasurer.
The accounting office (Treasurer) should monitor all daily receipts by comparing deposit slips to transactional reports to ensure that all receipts were deposited.	A policy and practice addressing this recommendation is currently in place.	All financial transactions, regardless of type or complexity (size), generate reports of various types. These are now reconciled at the close of every business day.

RECOMMENDATION	RESPONSE	ACTION
Utility deposits should be coded to a liability account. Likewise, when customer deposits are repaid, they should be coded to the same account.	The City has implemented a similar policy with regard to recreation deposits and agrees with this recommendation.	This will be immediately implemented.
The City should reconcile the merchant account to the daily deposit detail reports to ensure that all charges are being credited to the City accounts.	Agree.	This will be immediately implemented.
The City should review the daily receipting procedures and educate all personnel on the need to make timely deposits. This issue should also be part of the employee evaluations.	This has been a long-standing policy and practice of the City.	Done – and will continue to enforce.
The City should monitor its budgets to ensure that no budget amounts are exceeded. The City should consider holding a budget hearing on the last council meeting of the fiscal year to handle any changes that are necessary to accomplish this requirement.	Circumstances unique to this fiscal year made budget compliance particularly difficult. In addition, untimely financial reports have made it difficult, due to the nature of our current accounting software, to receive timely financial information. Finally, the City does now and will continue to hold end of year budget hearings to make year-end adjustment.	The City should acquire the new “dashboard” function from Caselle to provide more timely accounting information. We will, meanwhile, continue the practice of making year-end budget adjustments.